

February 22, 2008

The Honorable Jack Hatch,  
Iowa House of Representatives,  
C/O Ed Conlow  
State Capitol, Room G01  
Des Moines, Iowa 50319

Dear Sirs:

In this letter we present the results of an analysis of an illustrative program to expand coverage for children. The key features of this proposal are:

- A mandate for children to have health insurance coverage;
- A minimum benefits package based upon the Hawk-I program, which we have modified to include \$10 copayments for children over 200 percent of the FPL;
- Enforcement with automatic enrollment through schools and tax filings; and
- A premium subsidy program for people living above 200 percent of the FPL (i.e., the current SCHIP eligibility level). The program would limit family spending to one percent of family income for each child up to the point where health spending for the family (premiums for all family members) would exceed 6.5 percent of income.

We ran the same scenario assuming that premiums are capped at 2 percent of income up to a maximum point where family spending for all family members exceed 6.5 percent of income. We also ran a third scenario where premiums are capped at 2 percent of income up to a maximum of 10 percent per family. The results of our analysis are presented in the following Figures:

- **Figure 1-A:** Number of children under age 19 by income as a percent of the Federal Poverty Level (FPL);
- **Figure 2-A:** Number of children under age 19 by coverage status under current law;
- **Figure 3-A:** Program enrollment and costs by income as a percent of the FPL;
- **Figure 4-A:** Changes in state-wide health spending;
- **Figure 5-A:** Summary of changes in spending for state and local governments;

- **Figure 6-A:** Summary of changes in spending for the federal government;
- **Figure 7-A:** Changes in Employer Spending; and
- **Figure 8-A:** Changes in health spending for families.

We present results for the second scenario (i.e., 2 percent of income cap) in **Figures 1-B** through **Figure 8-B**. The second scenario is presented in the next set of tables, please note that this scenario assumes that all kids with incomes over 200 percent of the FPL are eligible for the percent of income caps on premiums. Costs for kids over 300 percent of the FPL are shown separately.

Finally, we present results for a third scenario (i.e., 10 percent of family income cap) in **Figures 1-C** through **Figure 8-C**. The third scenario includes a 2 percent of income cap per child and a 10 percent income cap per family. There are no subsidies for families over 400 percent of FPL.

We are available to examine other variations on these policies. Please call me if you have questions. I can be reached at (703) 269-5610 or, (703) 531-9728.

Sincerely:



John Sheils  
Senior Vice President

**Figure 1-A**  
**Number of Children under Age 19 by Income as a Percent of the Federal Poverty Level (FPL): 1 Percent Per Child up to 6.5 Percent**

	<b>Total Children</b>	<b>Uninsured Children</b>
<b>Below 150% FPL</b>	205,512	20,435
<b>150-199% FPL</b>	73,954	6,360
<b>200-299% FPL</b>	151,819	9,310
<b>300-399% FPL</b>	107,308	6,349
<b>400% FPL &amp; over +</b>	231,608	12,305
<b>Total</b>	770,201	54,759

**Figure 2-A**  
**Average Monthly Number of Children under Age 19 by Coverage Status under Current Law: 1 Percent Per Child up to 6.5 Percent**

<b>Employer Coverage</b>	504,645
<b>Non-Group Coverage</b>	22,245
<b>Medicaid/Hawk-I</b>	176,101
<b>Other Public Coverage</b>	12,451
<b>Uninsured</b>	54,759
<b>Total</b>	770,201

**Figure 3-A**  
**Program Enrollment and Costs by Income as a Percent of the FPL:  
1 Percent Per Child up to 6.5 Percent**

	<b>Program Enrollment</b>	<b>Change in Number Uninsured</b>	<b>Benefits and Admin. Costs</b>	<b>Family Premiums</b>	<b>Net Program Costs</b>	<b>State's Share</b>	<b>Federal Share</b>
<b>Below 150% FPL</b>	23,809	16,459	\$35,328,291	\$0	\$35,328,291	\$13,530,735	\$21,797,555
<b>150-199% FPL</b>	9,533	5,980	\$14,145,858	\$745,574	\$13,400,284	\$5,132,309	\$8,267,975
<b>200-299% FPL</b>	8,638	8,636	\$12,814,647	\$3,091,256	\$9,723,391	\$3,724,059	\$5,999,332
<b>300-399% FPL</b>	6,218	6,218	\$9,226,023	\$3,273,444	\$5,952,579	\$2,279,838	\$3,672,741
<b>400% FPL &amp; over</b>	12,086	12,086	\$17,932,162	\$9,334,009	\$8,598,153	\$3,293,093	\$5,305,060
<b>Total</b>	60,284	49,379	\$89,446,982	\$16,444,284	\$73,002,698	\$27,960,033	\$45,042,664

**Figure 4-A**

**Changes in State-Wide Health Spending: 1 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>	
<b>Impact on State-wide Health Spending</b>		
<b>Change in Utilization</b>		\$18.6
<b>Change in utilization for uninsured children</b>	\$17.4	
<b>Change in utilization for insured children</b>	\$1.2	
<b>Change in Provider Reimbursement</b>		\$2.2
<b>Payments for previously uncompensated care</b>	\$3.7	
<b>Reduced Cost shifting</b>	(\$1.5)	
<b>Change in Administrative Costs</b>		\$11.9
<b>Change in Insurer administration</b>	\$11.9	
<b>Net Change in State-wide Health Spending</b>		\$32.7

**Figure 5-A**

**Summary of Changes in Spending for State and Local Governments: 1 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on State &amp; Local Governments</b>	
<b>New Program Costs</b>	\$28.0
<b>Savings to other safety net programs</b>	(\$6.5)
<b>Net Impact on State &amp; Local Governments</b>	\$21.5

**Figure 6-A**

**Summary of Changes in Spending for Federal Government: 1 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on Federal Government</b>	\$45.0

**Figure 7-A**

**Change in Employer Spending: 1 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on Private Employers</b>	
<b>Reduced Costs due to Crowdout</b>	(\$14.1)
<b>Reduced Cost Shifting</b>	(\$1.2)
<b>Net Impact on Employers</b>	(\$15.3)

**Figure 8-A**  
**Changes in Health Spending for Families:: 1 Percent Per Child up to 6.5 Percent**

<b>Impact on Households</b>	<b>Total</b>
<b>Change in Current Premium Payments</b>	(\$4.7)
<b>Family Share of Program Costs</b>	\$16.4
<b>Reduced Out of Pocket Costs</b>	(\$30.2)
<b>Net Impact on Family Health Spending</b>	(\$18.5)

**Figure 1-B**  
**Number of Children under Age 19 by Income as a Percent of the Federal Poverty Level (FPL): 2 Percent Per Child up to 6.5 Percent**

	<b>Total Children</b>	<b>Uninsured Children</b>
<b>Below 150% FPL</b>	205,512	20,435
<b>150-199% FPL</b>	73,954	6,360
<b>200-299% FPL</b>	151,819	9,310
<b>300-399% FPL</b>	107,308	6,349
<b>400% FPL &amp; over +</b>	231,608	12,305
<b>Total</b>	770,201	54,759

**Figure 2-B**  
**Average Monthly Number of Children under Age 19 by Coverage Status under Current Law: 2 Percent Per Child up to 6.5 Percent**

<b>Employer Coverage</b>	504,645
<b>Non-Group Coverage</b>	22,245
<b>Medicaid/Hawk-I</b>	176,101
<b>Other Public Coverage</b>	12,451
<b>Uninsured</b>	54,759
<b>Total</b>	770,201

**Figure 3-B**  
**Program Enrollment and Costs by Income as a Percent of the FPL:  
2 Percent Per Child up to 6.5 Percent**

	<b>Program Enrollment</b>	<b>Change in Number Uninsured</b>	<b>Benefits and Admin. Costs</b>	<b>Family Premiums</b>	<b>Net Program Costs</b>	<b>State's Share</b>	<b>Federal Share</b>
<b>Below 150% FPL</b>	23,809	16,459	\$35,328,291	\$0	\$35,328,291	\$13,530,735	\$21,797,555
<b>150-199% FPL</b>	9,533	5,980	\$14,145,858	\$745,574	\$13,400,284	\$5,132,309	\$8,267,975
<b>200-299% FPL</b>	8,638	8,636	\$12,814,647	\$5,864,436	\$6,950,211	\$2,661,931	\$4,288,280
<b>300-399% FPL</b>	6,218	6,218	\$9,226,023	\$5,859,139	\$3,366,884	\$1,289,517	\$2,077,368
<b>400% FPL &amp; over</b>	12,086	12,086	\$17,932,162	\$15,080,285	\$2,851,878	\$1,092,269	\$1,759,608
<b>Total</b>	60,284	49,379	\$89,446,982	\$27,549,434	\$61,897,547	\$23,706,761	\$38,190,787

**Figure 4-B**

**Changes in State-Wide Health Spending: 2 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>	
<b>Impact on State-wide Health Spending</b>		
<b>Change in Utilization</b>		\$18.6
<b>Change in utilization for uninsured children</b>	\$17.4	
<b>Change in utilization for insured children</b>	\$1.2	
<b>Change in Provider Reimbursement</b>		\$2.2
<b>Payments for previously uncompensated care</b>	\$3.7	
<b>Reduced Cost shifting</b>	(\$1.5)	
<b>Change in Administrative Costs</b>		\$11.9
<b>Change in Insurer administration</b>	\$11.9	
<b>Net Change in State-wide Health Spending</b>		\$32.7

**Figure 5-B**

**Summary of Changes in Spending for State and Local Governments: 2 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on State &amp; Local Governments</b>	
<b>New Program Costs</b>	\$23.7
<b>Savings to other safety net programs</b>	-\$6.5
<b>Net Impact on State &amp; Local Governments</b>	\$17.2

**Figure 6-B**

**Summary of Changes in Spending for Federal Government: 2 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on Federal Government</b>	\$38.2

**Figure 7-B**

**Change in Employer Spending: 2 Percent Per Child up to 6.5 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on Private Employers</b>	
<b>Reduced Costs due to Crowdout</b>	(\$14.1)
<b>Reduced Cost Shifting</b>	(\$1.2)
<b>Net Impact on Employers</b>	(\$15.3)

**Figure 8-B**  
**Changes in Health Spending for Families:: 2 Percent Per Child up to 6.5 Percent**

<b>Impact on Households</b>	<b>Total</b>
<b>Change in Current Premium Payments</b>	(\$4.7)
<b>Family Share of Program Costs</b>	\$27.5
<b>Reduced Out of Pocket Costs</b>	(\$30.2)
<b>Net Impact on Family Health Spending</b>	(\$7.4)



**Figure 1-C**  
**Number of Children under Age 19 by Income as a Percent of the Federal Poverty Level (FPL): 2 Percent Per Child up to 10 Percent**

	<b>Total Children</b>	<b>Uninsured Children</b>
<b>Below 150% FPL</b>	205,512	20,435
<b>150-199% FPL</b>	73,954	6,360
<b>200-299% FPL</b>	151,819	9,310
<b>300-399% FPL</b>	107,308	6,349
<b>400% FPL &amp; over +</b>	231,608	12,305
<b>Total</b>	770,201	54,759

**Figure 2-C**  
**Average Monthly Number of Children under Age 19 by Coverage Status under Current Law: 2 Percent Per Child up to 10 Percent**

<b>Employer Coverage</b>	504,645
<b>Non-Group Coverage</b>	22,245
<b>Medicaid/Hawk-I</b>	176,101
<b>Other Public Coverage</b>	12,451
<b>Uninsured</b>	54,759
<b>Total</b>	770,201

**Figure 3-C**  
**Program Enrollment and Costs by Income as a Percent of the FPL:  
2 Percent Per Child up to 10 Percent**

	<b>Program Enrollment</b>	<b>Change in Number Uninsured</b>	<b>Benefits and Admin. Costs</b>	<b>Family Premiums</b>	<b>Net Program Costs</b>	<b>State's Share</b>	<b>Federal Share</b>
<b>Below 150% FPL</b>	23,809	16,459	\$35,328,291	\$0	\$35,328,291	\$13,530,735	\$21,797,555
<b>150-199% FPL</b>	9,533	5,980	\$14,145,858	\$769,809	\$13,376,049	\$5,123,027	\$8,253,022
<b>200-299% FPL</b>	8,638	8,636	\$12,814,647	\$8,233,097	\$4,581,550	\$1,754,734	\$2,826,817
<b>300-399% FPL</b>	6,218	6,218	\$9,226,023	\$8,635,574	\$590,449	\$226,142	\$364,307
<b>400% FPL &amp; over</b>	12,086	12,086	\$17,932,162	\$17,932,162	\$0	\$0	\$0
<b>Total</b>	60,284	49,379	\$89,446,982	\$35,570,643	\$53,876,339	\$20,634,638	\$33,241,701

**Figure 4-C**

**Changes in State-Wide Health Spending: 2 Percent Per Child up to 10 Percent**

	<b>Change in Spending (millions)</b>	
<b>Impact on State-wide Health Spending</b>		
<b>Change in Utilization</b>		\$18.6
<b>Change in utilization for uninsured children</b>	\$17.4	
<b>Change in utilization for insured children</b>	\$1.2	
<b>Change in Provider Reimbursement</b>		\$2.2
<b>Payments for previously uncompensated care</b>	\$3.7	
<b>Reduced Cost shifting</b>	(\$1.5)	
<b>Change in Administrative Costs</b>		\$11.9
<b>Change in Insurer administration</b>	\$11.9	
<b>Net Change in State-wide Health Spending</b>		\$32.7

**Figure 5-C**

**Summary of Changes in Spending for State and Local Governments: 2 Percent Per Child up to 10 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on State &amp; Local Governments</b>	
<b>New Program Costs</b>	\$20.6
<b>Savings to other safety net programs</b>	(\$6.5)
<b>Net Impact on State &amp; Local Governments</b>	\$14.1

**Figure 6-C**

**Summary of Changes in Spending for Federal Government: 2 Percent Per Child up to 10 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on Federal Government</b>	\$33.2

**Figure 7-C**

**Change in Employer Spending: 2 Percent Per Child up to 10 Percent**

	<b>Change in Spending (millions)</b>
<b>Impact on Private Employers</b>	
<b>Reduced Costs due to Crowdout</b>	(\$14.1)
<b>Reduced Cost Shifting</b>	(\$1.2)
<b>Net Impact on Employers</b>	(\$15.3)

**Figure 8-C**  
**Changes in Health Spending for Families:: 2 Percent Per Child up to 10 Percent**

<b>Impact on Households</b>	<b>Total</b>
<b>Change in Current Premium Payments</b>	(\$4.7)
<b>Family Share of Program Costs</b>	\$35.6
<b>Reduced Out of Pocket Costs</b>	(\$30.2)
<b>Net Impact on Family Health Spending</b>	\$0.7